IN THE SUPERIOR COURT OF THE DISTRICT OF COLUMBIA
CIVIL DIVISION

DISTRICT OF COLUMBIA,	*	
a municipal corporation,	*	
441 4th Street, N.W.,	*	
Washington, D.C. 20001,	*	Civil Action No. ____________
	*	
Plaintiff,	*	Judge ______________________
	*	
v.	*	Calendar No. _______________
	*	
METROPOLITAN MONEY STORE	*	
CORP.	*	
9320 Annapolis Road, #100	*	
Lanham, Maryland 20706	*	
	*	
and	*	
	*	
FORDHAM AND FORDHAM	*	
INVESTMENT GROUP, LTD.	*	
9420 Annapolis Road, #310	*	
Lanham, Maryland 20706	*	
	*	
and	*	
	*	
CORNERSTONE FIRST FINANCIAL	*	
L.L.C.	*	
2233 Wisconsin Avenue, N.W.	*	
Washington, D.C. 20007	*	
	*	
and	*	
	*	
SUSSEX TITLE, LLC	*	
401 N. Washington Street, Suite 525	*	
Rockville, Maryland 20850	*	
	*	
and	*	
	*	
RTE TITLE & ESCROW, LLC	*	
9701 Apollo Drive, Suite 297	*	
Largo, Maryland 20774	*	
	*	
and	*	

NEW CENTURY MORTGAGE	*
CORPORATION	*
18400 Von Karman	*
Irvine, California 92614	*
	*
and	*
	*
JOY JENIS JACKSON	*
12811 Glasgow Court	*
Fort Washington, Maryland 20744	*
	*
and	*
	*
JENNIFER MCCALL	*
7602 Alloway Lane	*
Beltsville, Maryland 20705	*
	*
and	*
	*
KURT FORDHAM	*
7602 Alloway Lane	*
Beltsville, Maryland 20705	*
	*
and	*
	*
MARK LIVINGSTONE	*
1117 10th Street, N.W., Wing #9	*
Washington, D.C. 20001	*
	*
and	*
	*
ALEXANDER JAMIL CHAUDHRY	*
10502 Grove Ridge Place, #49	*
Rockville, Maryland 20852	*
	*
and	*

VALERIA TOMLIN
5617 Emack Avenue
Lanham, Maryland 20706

and

VICTORIA A. BURKE, a/k/a
Victoria Amanda Wyatt
43142 Crosswind Terrace
Ashburn, Virginia 20148

Defendants.

COMPLAINT FOR INJUNCTIVE, DECLARATORY AND OTHER EQUITABLE RELIEF, RESTITUTION AND CIVIL PENALTIES

ACTION INVOLVING REAL PROPERTY

Plaintiff, the District of Columbia, by its undersigned attorneys, alleges:

1. Plaintiff, the District of Columbia (hereinafter "Plaintiff") brings this action under the District of Columbia Consumer Protection Procedures Act, D.C. Official Code §§ 28-3904 and 28-3909 (2001). Defendants unjustly enriched themselves by participating in a scheme that used misrepresentations and unconscionably high fees to strip millions of dollars of equity from the homes of at least 25 residents of the District of Columbia who responded to advertisements that targeted the African-American community and promised help with cash-flow and credit problems. The scheme now threatens imminent foreclosures on the homeowners from whom the equity – in many cases more than $100,000 in equity -- has been stripped. Plaintiff seeks in this action: (a) interim and permanent equitable relief to prevent homeowners in the District of Columbia from losing their homes or their equity in their homes as a result of Defendants' unlawful practices; (b) rescission of the transactions and loans resulting

from Defendants' unlawful practices or the monetary equivalent of rescission; (c) restitution to homeowners and disgorgement of unjust profits by Defendants; (d) injunctive relief to halt the Defendants' unlawful trade practices and the ongoing harm they cause; and (e) civil penalties against Defendants for their unlawful trade practices.

2. This Court has jurisdiction over this matter pursuant to D.C. Official Code §§ 11-921 and 28-3909 (2001). This Court has personal jurisdiction over each of the Defendants pursuant to D.C. Official Code §§ 13-422 and 13-423 (2001).

Parties

3. Plaintiff District of Columbia is a municipal corporation, and brings this action pursuant to its authority under the District of Columbia Consumer Protection Procedures Act, D.C. Official Code § 28-3901, *et seq.* (2001).

4. Defendant Metropolitan Money Store Corp. ("Metropolitan") is a Maryland corporation that has held itself out to distressed homeowners in the District of Columbia as a mortgage broker providing residential mortgage services.

5. Defendant Fordham and Fordham Investment Group Ltd. ("Fordham & Fordham") is a Maryland entity that has held itself out to consumers in the District of Columbia as "assisting consumers with credit rebuilding and coaching."

6. Defendant Cornerstone First Financial L.L.C. ("Cornerstone First") is a licensed real estate broker in the District of Columbia that performs services such as locating favorable lenders, helping to prepare mortgage applications, and doing credit and employment verifications on borrowers.

7. Defendant Sussex Title, LLC ("Sussex"), formerly known as "CAP Title, LLC," is a title company that regularly acts as a settlement agent and title insurance agent in the District of Columbia.

8. Defendant Regional Title and Escow, LLC ("RTE") is a title company that regularly acts as a settlement agent and title insurance agent in the District of Columbia.

9. Defendant New Century Mortgage Corporation ("New Century") is a mortgage finance company and lender headquartered in California. New Century regularly made loans to residents of the District of Columbia secured by homes in the District of Columbia.

10. Defendant Joy Jenis Jackson ("Jackson") is a director of Metropolitan who participated in operating Metropolitan. Jackson is also a director of Fordham & Fordham. Individually or in concert with others, Jackson directed, controlled, formulated or participated in the acts and practices of Metropolitan, including the acts and practices complained of below.

11. Defendant Jennifer McCall ("McCall") is the initial incorporator of Metropolitan, a director of Metropolitan, and participated in operating Metropolitan. Individually or in concert with others, McCall directed, controlled, formulated or participated in the acts and practices of Metropolitan, including the acts and practices complained of below.

12. Defendant Kurt Fordham ("Fordham") is the president and a director of Fordham & Fordham and participated in operating Fordham & Fordham. Fordham is married to Jackson. Individually or in concert with others, Fordham directed, controlled,

formulated or participated in the acts and practices of Fordham & Fordham, including the acts and practices complained of below.

13. Defendant Mark Livingstone ("Livingstone") is the founder of Cornerstone First and controls Cornerstone First. Individually or in concert with others, Livingstone directed, controlled, formulated or participated in the acts and practices of Cornerstone First, including the acts and practices complained of below.

14. Defendant Alexander Jamil Chaudhry ("Chaudhry") operates Sussex. Individually or in concert with others, Chaudhry directed, controlled, formulated or participated in the acts and practices of Sussex, including the acts and practices complained of below.

15. Defendant Valeria Tomlin ("Tomlin") is an attorney who operates RTE. Individually or in concert with others, Tomlin directed, controlled, formulated or participated in the acts and practices of RTE, including the acts and practices complained of below.

16. Defendant Victoria A. Burke a/k/a Victoria Amanda Wyatt ("Burke") was at all relevant times a loan officer at New Century. Individually or in concert with others, Burke participated in the acts and practices complained of below.

<u>The Scheme to Strip Equity from Homeowners</u>

17. Defendants Metropolitan, Fordham & Fordham, Jackson, McCall and Fordham developed and arranged a scheme to strip equity from homeowners. That scheme continued in the District of Columbia from 2005 until at least the end of 2006, and victimized and continues to victimize the homeowners whose homes now purportedly secure the loans listed in **Exhibit A** to this Complaint, as well as other

homeowners in the District of Columbia to be identified in discovery in this case.

18. Metropolitan conducted an advertising campaign on television, radio and print in the District of Columbia and surrounding area to find homeowners who were behind in their mortgages and believed they did not have the resources to get current, i.e. who were in "mortgage distress." Metropolitan targeted African-American homeowners by advertising on gospel and R&B radio stations with large African-American audiences and print media with largely African-American readerships. The advertisements encouraged homeowners in mortgage distress or facing foreclosure to call Metropolitan for help with cash-flow and credit problems in what was called a "Mortgage Reversal Program."

19. The homeowners who came to Metropolitan's office were generally unsophisticated about financial and business matters, and in financial distress because of high debts and looming foreclosures. Many of the homeowners had substantial equity in their homes – in many cases more than $100,000 in equity – but did not have the financial ability to make the current payments on their mortgages.

20. When they came to Metropolitan's offices, these homeowners were generally told by Metropolitan that under the Mortgage Reversal Program, Metropolitan would arrange to put their homes in other peoples' names for a one-year period, after which the homeowners would once again become the official owners in the District of Columbia records. Metropolitan generally represented that it would pay the mortgages on the homes for that year, and that the homeowners could remain in their homes. During that year, Metropolitan and Fordham & Fordham represented that Fordham & Fordham would provide credit counseling and help to the homeowners to improve their

credit ratings, making it possible for the homeowners to then secure more favorable new mortgages and to pay those mortgages.

21. The homeowners listed in Exhibit A and other homeowners in the District of Columbia to be identified in discovery were induced to enter into the so-called Mortgage Reversal Program based on the representations described in paragraph 20.

22. In fact, these representations to the homeowners were intentionally false: the so-called Mortgage Reversal Program was actually designed to strip most or all of the equity from homeowners' properties to the benefit and unjust enrichment of Defendants.

23. Metropolitan found and usually paid $10,000 to people it called "investors" to become the purported title holders on the homes. In fact, these "investors" were straw parties who invested nothing. The straw parties became the purported "borrowers" on mortgage loans on the homes, but they never expected to pay any of the money due under the loans. The straw parties became the purported "owners" of the homes, but they never expected that they would have any of the rights or obligations of real owners. In fact, Metropolitan generally told the straw parties, and they believed, that they were just lending their names to the transaction for a year, that they would not need to do anything or pay any money during that year, and that when the year ended they would have no further obligations.

24. Metropolitan then arranged (a) for a set of documents purporting to transfer ownership of homes to these straw party "investors," and (b) for new mortgages to the straw party "investors" as "owners" of the homes, in amounts far in excess – generally $100,000 or more – of the existing mortgages. The proceeds of these

mortgages were supposed to be paid to the homeowners according to the official mortgage documents (e.g. HUD-1's), on which the homeowners were listed as "sellers." Instead, the proceeds were largely siphoned off to Metropolitan, Fordham & Fordham, Jackson, McCall and Fordham, with only small sums – generally $20,000 -- paid to the homeowners. Metropolitan, Fordham & Fordham, Jackson, McCall and Fordham accepted a homeowner in this scheme only if the homeowner had sufficient equity in the home to allow Metropolitan, Fordham & Fordham, Jackson, McCall and Fordham to siphon off at least $80,000 in the transaction.

25. Metropolitan was not a licensed mortgage broker in the District of Columbia until on or about September 2006. Prior to that time, Cornerstone First was generally named as the mortgage broker on the loans involved in the transactions set up by Metropolitan. Cornerstone First's mortgage brokerage fees were in gross excess of the industry norm –sometimes more than double that norm -- and were effectively paid by the homeowners, thereby further stripping homeowners' equity. For instance, in one mortgage Cornerstone First charged a mortgage brokerage fee of $12,000, a yield spread premium of $4,000 and additional fees of approximately $1,500, for a total of $17,500. The industry norm would have been half that amount or less.

26. Cornerstone First represented to the homeowners that it was performing mortgage brokerage services, such as taking the application, finding the lender and doing employment and credit verifications. In fact, however, Cornerstone First performed none or virtually none of the services normally performed by a mortgage broker. These services were instead performed - albeit totally inadequately and in many respects unlawfully - by Metropolitan, from which Cornerstone First took a share of the

brokerage fees.

27. Cornerstone First and its principal Livingstone knew that the loans arranged by Metropolitan were not bona fide because (among other problems):

a. The underwriting documents (that were supposedly done by Cornerstone First but were in fact generally done by Metropolitan), were internally inconsistent. For example, Metropolitan would "verify" employment that did not appear on purported "borrowers'" credit reports. For many of the supposed "borrowers," this supposed additional employment was with Fordham & Fordham or with Entertainment With Class, a provider of female and male "entertainers" and "dancers." The owner of Entertainment With Class was an employee of Metropolitan. In addition, many of the "borrowers" were reported to have checking accounts at the same branch of Chevy Chase Bank and to have consistently large amounts – generally $10,000 -15,000 – in checking accounts at that branch.

b. The "borrowers" had credit scores -- frequently between 700 and 800 -- that were more than sufficient to qualify for mortgages with better terms.

c. The mortgage brokerage fees on the loans were in gross excess of the industry norm and were effectively paid by the homeowners, the supposed "sellers," rather than the "borrowers."

d. The mortgages had fees and so-called "seller contributions" that were in gross excess of the industry norm, sometimes between $25,000 and $30,000. Through these "contributions," the homeowner "sellers" were in effect paying the grossly inflated brokerage and title company fees.

e. None of the purported "sales" used real estate agents, but instead were supposedly done directly by homeowner "sellers" to "borrowers."

28. Sussex was generally the settlement agent and title insurance agent in the transactions arranged by Metropolitan until on or about September 2006. Beginning on or about September 2006, RTE was generally the settlement agent and title insurance agent in the transactions arranged by Metropolitan. Sussex and RTE charged fees to the distressed homeowners in substantial excess of the industry norm, thereby further stripping the equity from their homes.

29. In their capacity as settlement agents, Sussex and RTE received from the lender and then distributed the proceeds of the new mortgage loans. According to the official mortgage documents (e.g. HUD-1's), the net proceeds after costs should have been paid to the homeowners. Sussex and RTE generally made checks payable to the sellers, but they generally sent those checks to Metropolitan, not to the sellers. Metropolitan then generally either forged the seller's name on the check, or had the seller sign an "Agreement to Split Proceeds," "Fee Sheet For Foreclosure Reversal Plan," or other form designed to mislead the seller into believing that Metropolitan and Fordham & Fordham would provide services to the seller, for which Metropolitan and Fordham & Fordham were purportedly entitled to most of the proceeds. RTE saw these misleading documents in connection with at least some of the Metropolitan loans.

30. Sussex, and its principal Chaudhry, and RTE and its principal Tomlin knew that the loans were not bona fide because (among other problems):

a. Sussex and RTE participated in siphoning off sellers' funds to Metropolitan and/or Fordham & Fordham, as described in paragraph 29 above.

b. The mortgage brokerage fees and title company fees on the loans were in gross excess of the industry norm and were effectively paid by the homeowner "sellers" through "seller contributions" that were in gross excess of the industry norm, sometimes between $25,000 and $30,000.

c. The "borrowers" had credit scores -- frequently between 700 and 800 -- that were more than sufficient to qualify for mortgages with better terms.

d. Sussex, Chaudhry, RTE and Tomlin heard misrepresentations at closings, such as that the homeowners would be able to repurchase their homes.

31. New Century generally served as the lender in the transactions arranged by Metropolitan. Through its agent, Defendant Burke, New Century knew that the mortgages were not bona fide transactions but were instead part of a scheme to strip equity from homeowners and enrich Metropolitan, Fordham & Fordham, Cornerstone, Sussex and RTE.

32. New Century, through its agent Defendant Burke, arranged with Metropolitan and Cornerstone First that Cornerstone First would be named as the broker on the loans and would split the brokerage fees, even though New Century, through Burke, knew that Cornerstone First performed none or virtually none of the services normally performed by a broker.

33. In addition to the reasons stated in paragraphs 31 and 32, New Century and Burke knew that the loans were not bona fide because of the problems with the underwriting documents, mortgages and transactions enumerated in paragraph 27 (a-e) above (among other problems). New Century and Burke also knew that although many

of the loans were to persons who stated they would live in the homes, notices (e.g. default notices) were being mailed to different addresses (sometimes addresses of persons connected to Metropolitan).

34. Any lender to which the New Century loans were transferred, assigned or sold had notice that and knew that the loans were not bona fide because of the problems with the underwriting documents, mortgages and transactions enumerated in paragraph 27 (a-e) and 33 above (among other problems).

Injury To Homeowners

35. After the equity was stripped out of the homeowners' properties, as described above, Metropolitan stopped making the mortgage payments due on the new mortgages, generally after paying the mortgage for only two to three months.

36. Fordham & Fordham did not provide credit counseling or any other help to the homeowners. Fordham & Fordham did not assist the homeowners in building up their credit ratings.

37. The homeowners listed in Exhibit A and other homeowners in the District of Columbia to be identified in discovery now face foreclosures on their homes, in some cases imminent foreclosures, as the result of the scheme to strip equity from homeowners alleged in this Complaint. Their homes now show the straw parties as the "owners" in the official records, and the homes are now subject to mortgages that are in default and that are much larger than the original mortgages. The homeowners have much less equity in their homes than they had before Defendants' wrongful actions.

38. Absent injunctive relief by this Court, New Century and/or those to whom it has sold the loans will foreclose on the loans induced by the unlawful scheme described

above. Many of the homeowners identified in Exhibit A and others to be identified in discovery will suffer irreparable injury from those foreclosures.

39. In addition, Defendants have been unjustly enriched as a result of the aforesaid conduct.

<u>Count I</u>
(Misrepresentations and False Advertising)

40. Plaintiff re-alleges Paragraphs 1 through 39 and incorporates them herein by reference.

41. Defendants, individually and sometimes in concert, violated the District of Columbia Consumer Protection Procedures Act by making misrepresentations, as to material facts, that have a tendency to mislead. D.C. Official Code § 28-3904(e) (2001).

42. Defendants, individually and sometimes in concert, violated the District of Columbia Consumer Protection Procedures Act by failing to state material facts to borrowers, when such failure tended to mislead. D.C. Official Code § 28-3904(f) (2001).

43. Defendants, individually and sometimes in concert, violated the District of Columbia Consumer Protection Procedures Act by advertising and/or offering goods and services without the intent to sell them as advertised and/or offered. D.C. Official Code § 28-3904(h) (2001).

<u>Count II</u>
(Unconscionability)

44. Plaintiff re-alleges Paragraphs 1 through 39 and incorporates them herein by reference.

45. Defendants, individually and sometimes in concert, violated the District of Columbia Consumer Protection Procedures Act by entering into agreements with unconscionable terms because (among other factors):

a. Defendants had knowledge at the time of the mortgage transactions that there was no reasonable probability of payment in full of the obligations by the homeowners and/or the straw party "purchasers." D.C. Official Code § 28-3904(r) (1) (2001).

b. Defendants had knowledge at the time of the mortgage transactions of the inability of the consumer homeowners involved to receive substantial benefits from the property and services sold. D.C. Official Code § 28-3904(r) (2) (2001).

c. Defendants charged homeowners grossly more than the price of the services measured by the price at which similar services are readily obtainable in transactions by like merchants. D.C. Official Code § 28-3904(r) (3) (2001).

d. Defendants took advantage of the inability of the unsophisticated and financially distressed homeowners reasonably to protect their interests. D.C. Official Code § 28-3904(r) (5) (2001).

46. Defendants Cornerstone First and Livingstone violated the District of Columbia Consumer Protection Procedures Act by entering into agreements with unconscionable terms because those defendants accepted a split of the brokerage fees while performing no or virtually no work, in violation of the Real Estate Procedures Act, 12 U.S.C. § 2607 (b). D.C. Official Code § 28-3904(r) (2001).

47. Defendants New Century and Burke violated the District of Columbia Consumer Protection Procedures Act by entering into agreements with unconscionable terms because New Century arranged for Cornerstone First and Livingstone to accept a split of the brokerage fees while performing no or virtually no work, in violation of the Real Estate Procedures Act, 12 U.S.C. § 2607 (b). D.C. Official Code § 28-3904(r) (2001).

Prayer For Relief

WHEREFORE, Plaintiff pursuant to the District of Columbia Consumer Protection Procedures Act, and the Court's own equitable powers, requests that this Court:

1. Permanently, and if necessary preliminarily, enjoin Defendants and their agents, successors, or assigns, from foreclosing on the loans identified in Exhibit A or any other loan identified in discovery in which homeowners were induced to enter into the unlawful scheme alleged in this Complaint, pending permanent equitable relief, including rescission of the transactions;
2. Enter a declaratory judgment that the transactions resulting from Defendants' unlawful practices are void;
3. Order rescission of the transactions resulting from Defendants' unlawful practices, or award the monetary equivalent of rescission;
4. Permanently, and if necessary preliminarily, enjoin Defendants and their agents, successors, or assigns, from engaging in the unlawful practices alleged in this Complaint;

5. Order Defendants to pay restitution and to disgorge the amounts by which they were unjustly enriched;
6. Order Defendants to pay civil penalties of up to $1000 per violation, for Defendants' violations of the District of Columbia Consumer Protection Procedures Act; and
7. Order Defendants to pay the costs and attorneys' fees of Plaintiff associated with this action, as well as such declaratory and additional relief as the Court may determine to be just and proper.

Dated: August 29, 2007

Respectfully submitted,

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Attorneys for the District of Columbia

Exhibit A

	Property Address	Straw "Investor"	Homeowner
1	120 Danbury Street, SW	Richard Allison	Theresa Carter
2	3407 21st Street, SE	Keisha Brown	Eric Humphrey
3	2239 Nicholson Street, SE	Iris Fordham	Darrin Davis
4	4330 Dubois Place, SE	Iris Fordham	Chauncy H. Smoot
5	818 51st Street, NE	Katisha M. Fordham	
6	624 Keefer Place, NW	Zoila Villalta	Kiana and Sincera Boone
7	1633 A Street, NE	Erica Wade	Valeria Conner
8	4677 A Street, SE	Errol Walker	Shawn Queen
9	1432 S Street, SE	Errol Walker	David Barmer
10	5426 B Street, SE	Victoria Cole-Rolen	Alphonso Frazier
11	3513 21 Street, NE	Nichelle Daniels	Sharon Winston
12	3321 U Street, SE	Chantay Hamlin	Shannon Humphrey
13	1024 47th Street, NE	Tracie Carthorne	Vera Worsley
14	1923 Tremont Street, SE	William Lancaster	Cynthia Pope
15	4008 Cole Blvd., SE	Sharlene Miles	Jeanine Bell
16	5037 Meade Street, NE	Diana Lancaster	Michele Wright
17	5325 Gay Street, NE	Grace Akinsika	
18	605 Delafield Place, NW	Willie Smith	
19	5339 Chillum Place, NE	Harold Middleton	Estate of Hillist Mearse
20	1346 E Street, NE	Betty Rivers	Stephanie Miers
21	1317 W Street, SE	Marcus Deloatch	Terri Whiting
22	1406 34th Street, SE	Karla Jones	Michele Williams
23	3132 Lyndale Place, SE	Terrence Gamble	Shawn Minick
24	2610 Wade Road, SE	Rolando Cousins	Clarence O. Carter
25	4606 Nanny Bourroughs Ave., NE	Rolando Cousins	Justy Cherubic
26	514 48th Place, NE	Nathan Kelly	Vanessa Rogers
27	3513 21st Street, SE	Sharon Winston	Daniels